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SOCIAL SECURITY ADMINISTRATION

A More Formal Approach Could Enhance SSA's Ability to Develop and Manage Totalization Agreements





Highlights of [GAO-05-250](#), a report to congressional requesters

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A More Formal Approach Could Enhance SSA's Ability to Develop and Manage Totalization Agreements

Why GAO Did This Study

Since 1977, the U.S. has entered into bilateral social security totalization agreements with 20 foreign countries. In fiscal year 2004, the Social Security Administration (SSA) paid approximately \$206 million to 102,000 beneficiaries in these countries based on their eligible periods of coverage. If put into force, pending agreements with Mexico and Japan will increase the number of beneficiaries receiving totalized benefits, as well as the amount of benefits paid. Given the costs to the Social Security Trust Funds posed by existing and pending agreements, GAO was asked to (1) document SSA's policies and procedures for assessing the accuracy of foreign countries' data when entering into a totalization agreement, and (2) examine SSA's processes for verifying beneficiaries' initial and continuing eligibility for benefits once an agreement is in force.

What GAO Recommends

GAO recommends that SSA (1) develop a standardized set of protocols that integrate and formalize the various initiatives for verifying foreign countries' data when negotiating future agreements and (2) explore ways to improve current processes for verifying beneficiaries' initial and continuing eligibility for benefits.

SSA agreed with our recommendations and we have incorporated their technical comments where appropriate.

www.gao.gov/cgi-bin/gettrpt?GAO-05-250.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Barbara Bovbjerg at (202) 512-7215 or bovbjergb@gao.gov.

What GAO Found

SSA's policies and procedures for assessing the accuracy and reliability of important information from foreign countries—such as birth and death data—when entering into totalization agreements remain generally informal, but recent initiatives for improvement seem promising. Historically, SSA has conducted only limited reviews, focusing primarily on broad policy issues and systems compatibility, rather than the integrity and reliability of earnings data and evidentiary documents. For example, during preliminary negotiations with Mexico, SSA conducted a limited review of that country's social security system but did not assess the reliability of that country's data. SSA has also developed several initiatives to identify risks associated with totalization agreements. These include: developing a standardized questionnaire for assessing the reliability of foreign earnings data, soliciting input from other government agencies, and using a matrix to compare potential agreement countries. SSA is also conducting "vulnerability assessments" to detect potential problems with foreign countries' documents. All of these tools are positive steps to help SSA assess potential risks posed by unreliable foreign data. However, SSA has not integrated these initiatives into formal procedures. Given the upcoming retirement of key management officials, SSA may lose critical institutional knowledge, which may limit the agency's ability to assess risks associated with future agreements.

Our review identified potential vulnerabilities in SSA's policies and procedures for verifying individuals' eligibility for benefits once an agreement is in force. When establishing an individual's initial eligibility for benefits, the agency generally accepts critical documentation from foreign countries, without independently verifying the accuracy of such information. We also found that SSA's two primary tools for determining an individual's continuing eligibility—validation surveys and personal questionnaires—may be insufficient to ensure that only truly eligible individuals receive benefits. For example, SSA mails questionnaires to all beneficiaries living abroad (including totalized beneficiaries) at least once every 2 years requesting information on their eligibility status, but does not independently verify the responses on these questionnaires. These questionnaires rely on beneficiaries to accurately self-report important information that may affect their eligibility for benefits, with no additional verification. SSA does not currently have the ability to independently verify the responses on these questionnaires using computer matches or other forms of third-party verification, as it does with domestic beneficiaries. The agency's inability to conduct matches with foreign countries is partly because it does not capture beneficiaries' foreign social insurance numbers on its systems.

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Abbreviations

FBOs	Federal Benefits Officers
FSP	Foreign Service Post
OASDI	Old Age Survivors and Disability Insurance
OIG	Office of Inspector General
OIO	Office of International Operations
OIP	Office of International Programs
POMS	Program Operations Manual System
SSA	Social Security Administration

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United States Government Accountability Office
Washington, DC 20548

February 28, 2005

The Honorable Jim McCrery
Chairman
Subcommittee on Social Security
Committee on Ways and Means
House of Representatives

The Honorable E. Clay Shaw, Jr.
House of Representatives

Totalization agreements are bilateral agreements between the United States and other countries. These agreements are designed to foster international commerce and protect social security benefits for persons who have worked in foreign countries in two ways. First, the agreements eliminate dual social security taxes that multinational employers and their employees pay when they operate and reside in countries with parallel social security programs. They also help fill gaps in benefit protection for persons who have worked in different countries for portions of their careers. Since 1977, the U.S. has entered into social security totalization agreements with 20 foreign countries.¹ In fiscal year 2004, the Social Security Administration (SSA) paid approximately \$206 million to about 102,000 totalized beneficiaries in these countries. These beneficiaries include retired and disabled workers, as well as their dependents and survivors. Thus, while these agreements pose a cost to the U.S. Social Security Trust Funds, they provide savings to U.S. workers and employers operating in foreign countries as well as foreign benefits for U.S. citizens and residents.

If put in force, pending agreements with countries such as Mexico and Japan will increase the number of beneficiaries receiving totalized benefits, as well as the amount of benefits paid by the U.S. Social Security Trust Funds. Reliable data from foreign countries is required to ensure that payments to totalized beneficiaries are accurate. Given the potential

¹SSA has pending totalization agreements with Mexico and Japan. According to SSA, the President transmitted the Japanese agreement to the Congress in November 2004. The Mexican agreement was still under review at SSA at the time of this study. Once submitted to the Congress, the agreements may be brought into force after 60 session days unless either house of Congress adopts a resolution of disapproval.

costs to the trust funds posed by existing and pending agreements, the Subcommittee on Social Security, Committee on Ways and Means, asked GAO to (1) document SSA's policies and procedures for assessing the accuracy of foreign countries' data, including birth, death, marriage, divorce, and earnings information when entering into totalization agreements, and (2) examine SSA's processes for verifying beneficiaries' initial and continuing eligibility for benefits once an agreement is in force.

To address these objectives, we reviewed existing totalization agreements and SSA's procedures for administering them. We interviewed numerous management officials and line staff in SSA's Offices of International Operations (OIO) and International Programs (OIP) to obtain their perspectives on SSA's current processes when entering into agreements, as well as their perspectives on existing procedures for verifying beneficiaries' initial and continuing eligibility for benefits. We also interviewed an official from the Office of Inspector General (OIG) to determine if the OIG had performed any studies on SSA totalization agreements. In addition, we contacted the supreme audit institutions² in countries with totalization agreements to determine if they conducted any studies on their country's management of totalization agreements. We examined SSA's benefit payment data for totalized beneficiaries in fiscal year 2004, as well as the results of available periodic SSA "validation surveys" in which home visits are performed for selected foreign beneficiaries by staff from SSA and the Department of State. We also reviewed questionnaires mailed to all foreign beneficiaries to solicit information on their current eligibility status. We conducted our work between August 2004 and January 2005 in accordance with generally accepted government auditing standards.

Results in Brief

SSA's policies and procedures for assessing the accuracy and reliability of important information from foreign countries—such as birth and death data—when entering into totalization agreements remain generally informal, despite recent initiatives for improvement. Historically, SSA has conducted only limited reviews, focusing primarily on broad policy issues and systems compatibility, rather than examining the integrity and reliability of earnings data and evidentiary documents. For example, as we reported in 2003, during preliminary negotiations with Mexico in August

²Supreme Audit Institutions are the highest public auditing body of a state or supranational organization.

2002, SSA officials conducted a limited review of that country's social security system but did not assess the reliability of data needed to pay benefits. Subsequently, in response to our recommendation, SSA returned twice to Mexico to assess the procedures and controls pertaining to earnings data, and to evaluate the integrity of selected documents submitted by claimants to establish identity and eligibility. In addition to actions taken in Mexico, SSA officials told us that the agency has developed several new initiatives to identify risks associated with totalization agreements. SSA has developed a standardized questionnaire to help the agency identify and assess the reliability of earnings data in countries under consideration for future totalization agreements. In addition, SSA has undertaken two initiatives aimed at determining which countries may be suitable for future agreements. One initiative involves conducting discussions with other U.S. government agencies such as the Department of Commerce to better assess which countries may be suitable for future agreements. SSA is also developing a matrix to compare relevant factors, including data accessibility across countries where agreements could be negotiated in the future. Finally, in an effort to improve existing procedures, SSA is conducting numerous "vulnerability assessments" to detect potential problems with the accuracy of foreign countries' documents. While these tools appear to be a positive first step for helping SSA identify potential risks associated with future totalization agreements, SSA has only recently begun implementing them and has not developed plans to integrate these initiatives into formal procedures. The lack of a formal protocol, coupled with the expected retirement of key management and staff over the next few years, may result in the loss of important institutional knowledge relating to totalization agreements, which may hinder the agency's ability to effectively assess risks associated with future agreements.

Our review also identified potential vulnerabilities in SSA's policies and procedures for verifying individuals' eligibility for benefits once an agreement is in force. When establishing an individual's initial eligibility for benefits, the agency generally accepts critical documentation from foreign countries, such as birth certificates, without independently verifying the accuracy of such information. We also found that SSA's two primary tools for determining an individual's continuing eligibility—validation surveys and personal questionnaires—may be insufficient to ensure that only those still eligible for benefits continue to receive them. In particular, while validation surveys conducted prior to calendar year 2000 verified several pieces of information including beneficiaries' work activity and earnings, due to staff and budgetary limitations, those conducted since 2000 generally only verify beneficiaries' identity and

existence. SSA's second tool to determine continuing eligibility entails mailing questionnaires to all beneficiaries living abroad (including totalized beneficiaries) at least once every 2 years requesting information on their eligibility status. These questionnaires rely on beneficiaries to accurately self-report important information that may affect their eligibility for benefits, such as whether they are working, with no additional verification. To date, SSA has not attempted to test the accuracy of the responses on the questionnaires by comparing them with the results from a given country's validation survey. SSA also does not currently have the ability to verify the responses on these questionnaires using computer matches or other forms of third-party verification. In contrast, SSA routinely uses computer matches with databases in the U.S. to verify the eligibility of domestic beneficiaries.

We recognize that assessing the reliability of foreign countries' data and ensuring beneficiaries' initial and continuing eligibility for benefits presents challenges for SSA. However, there are several areas where we believe SSA can make improvements. Accordingly, we are recommending that the Commissioner of SSA develop a formal protocol for entering into future totalization agreements and explore ways to improve existing procedures for ensuring that only truly eligible individuals receive totalized benefits once an agreement is in force.

SSA agreed with our recommendations, but suggested that the report be revised to better characterize some of its procedures for verifying the accuracy and reliability of foreign evidence—including evidence for totalized and all foreign beneficiaries. We have modified the report to reflect their comments as appropriate. SSA provided additional comments that we discuss in the Agency Comments and Our Evaluation section of the report. Their full comments appear in appendix I.

Background

SSA administers the Old Age, Survivors, and Disability Insurance (OASDI) programs under Title II of the Social Security Act. About 96 percent of the nation's work force is in social security-covered employment and pays taxes on annual earnings. When workers pay social security taxes, they

earn coverage credits,³ and 40 credits—equal to at least 10 years of work—entitle them to social security benefits when they reach retirement age.⁴

In 1977, the Congress authorized the President to enter into totalization agreements with other countries. These bilateral agreements are intended to accomplish several purposes. First, they eliminate dual social security coverage and taxes that multinational employers and employees encounter when they operate and their workers temporarily reside in a foreign country with its own social security program. Under the agreements, U.S. employers and their workers sent temporarily abroad benefit by paying only U.S. social security taxes, and foreign businesses and their workers benefit by paying only social security taxes to their home country. Second, the agreements provide benefit protection to workers who have divided their careers between the U.S. and a foreign country, but lack enough coverage under one or both social security systems to qualify for benefits, despite paying taxes into both systems. Totalization agreements allow such workers to combine (totalize) work credits earned in both countries to meet minimum benefit qualification requirements. Third, totalization agreements generally improve the portability of social security benefits by authorizing waiver of residency requirements.

SSA officials provided a description of how totalization agreements are developed. These agreements involve several steps from the time they are proposed until the time benefits are paid to beneficiaries. Before SSA can begin to develop an agreement with a foreign country, it must receive approval from the Department of State (State). If negotiations between SSA and the foreign country are successful, SSA requests authorization from State to arrange for signing the agreement. SSA reviews the draft agreement for policy implications and to ensure that the translation of the agreement (if there is one) has the same meaning in both languages. Once signed, the agreement does not become legally binding until both countries have completed their respective ratification processes. For the U.S., the ratification involves the following steps: (1) the Commissioner of

³A “quarter of coverage” is a U.S. social security program specific term defining a U.S. social security work credit. A quarter of coverage was originally defined as wages of \$50 dollars or more earned during a calendar quarter. Over time, this figure has been revised. In 2005, \$920 of earnings constituted a quarter of coverage.

⁴Different requirements govern the number of coverage credits necessary to receive disability and survivors benefits for workers who become disabled or die with relatively short work careers.

SSA asks State to forward the signed agreement to the President; (2) if State concurs, it sends the agreement to the President; (3) if the President approves the agreement, he transmits it to the Congress; and (4) the agreement becomes effective on a date specified in the agreement, which must be at least 60 session days, during which at least one House of Congress was in session after the President sends it to Congress, unless either House of Congress adopts a resolution of disapproval. Table 1 shows existing agreements and the dates they became effective.

Table 1: Existing Totalization Agreements between the United States and Other Countries and the Year the Original Agreements Became Effective

Country	Effective year of agreement
Italy	1978
Germany	1979
Switzerland	1980
Belgium	1984
Norway	1984
Canada	1984
United Kingdom	1985
Sweden	1987
Spain	1988
France	1988
Portugal	1989
Netherlands	1990
Austria	1991
Finland	1992
Ireland	1993
Luxembourg	1993
Greece	1994
South Korea	2001
Chile	2001
Australia	2002

Source: SSA.

Note: SSA has also signed agreements with Japan and Mexico. The Japan agreement has been approved by the Administration and is being reviewed by the Congress. The Mexico agreement was still under review at SSA at the time of this study.

To qualify for totalized U.S. social security benefits, a worker must have at least 6 but no more than 39 U.S. coverage credits. Benefit amounts are based on the portion of time worked in the United States, and thus are

almost always lower than full social security benefits. As of September 2004, the average monthly totalized benefit amount for OASDI beneficiaries was about \$163. Overall, SSA paid approximately \$2.4 billion to about 430 thousand foreign beneficiaries⁵ in fiscal year 2004, including about \$206 million paid to approximately 102,000 totalized beneficiaries.⁶

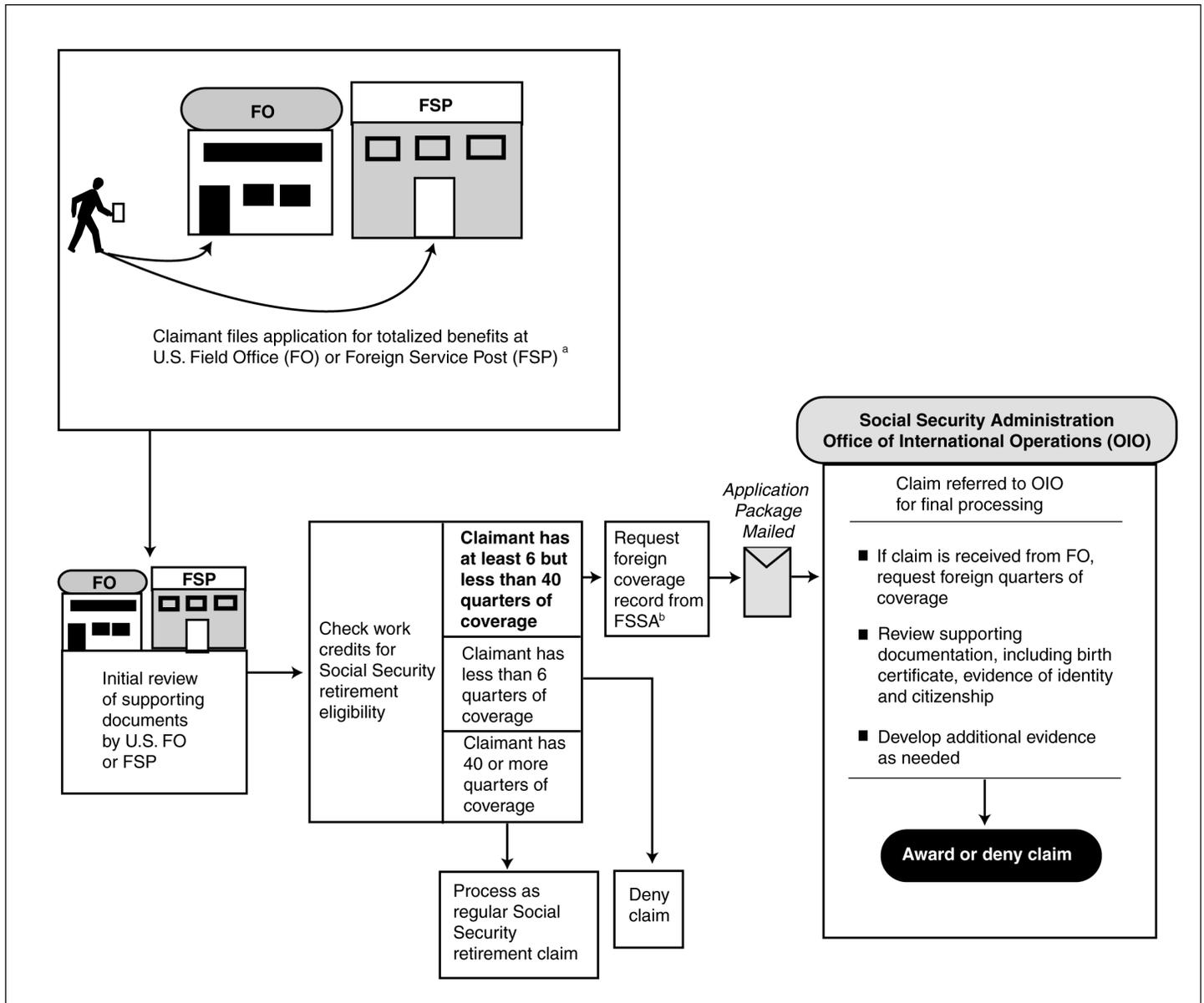
Individuals living in the U.S. may apply for totalized benefits at any of SSA's approximately 1,300 field offices. SSA policies and procedures for processing claims are located in SSA's Program Operations Manual System (POMS). When an applicant files for benefits in an SSA field office, a claims representative helps the individual fill out the application, reviews the applicant's eligibility information with POMS guidance, and sends the claim packet to SSA's OIO for final processing.

The application process for individuals living abroad is essentially the same as that for domestic applicants, with one basic exception. Instead of visiting a domestic SSA field office, individuals living abroad are generally required to apply at one of numerous Foreign Service Posts located in U.S. embassies or consulates around the world, or at their country's social security agency. Applications are processed by Foreign Service Nationals who review pertinent documentation (such as evidence of birth, and marital status) and forward the application to OIO, which requests the foreign earnings record, if one has not already been provided. The application package is then reviewed by SSA staff for completeness and compliance with SSA standards. In instances where SSA staff question the accuracy or completeness of any information, they may contact the foreign social security agency or the claimant directly to request clarification. If SSA staff determine that the application contains sufficient eligibility information and the individual is entitled to totalized OASDI benefits, then the application is approved and submitted for payment. (See fig. 1)

⁵This number includes survivor and dependent beneficiaries.

⁶These figures include payments made to individuals with disabilities.

Figure 1: Application Process for Obtaining Totalized Benefits



Source: GAO analysis and Art Explosion.

^aClaims can also be filed at Foreign Social Security Agencies (FSSA) in countries where the U.S. has totalization agreements in place. If a claimant files at an FSSA, the claim is generally referred to the FSP, which contacts the claimant directly to develop the claim.

^bOnly if the claim is filed with an FSP. If claim is filed with a U.S. domestic FO, OIO requests foreign coverage record.

In addition to managing and updating the agreements that are already in place, SSA continues to negotiate additional agreements with other countries.⁷ SSA has pending totalization agreements with Mexico and Japan. The President transmitted the Japanese agreement to the Congress in November 2004. The Mexican agreement was under review at SSA at the time of this study. In a prior report on the Mexican agreement, we recommended that SSA establish formal processes for entering into totalization agreements that include mechanisms to assess the risk associated with such agreements and to document the range of analyses SSA conducts. The report also recommended that reports of proposed agreements be enhanced to make them more consistent and informative and that SSA establish a regular process to reassess the accuracy of its actuarial estimates.⁸

SSA Lacks A Formal Process to Assess the Accuracy and Reliability of Foreign Countries' Data When Entering into Totalization Agreements, but Recent Initiatives Appear Promising

SSA's policies and procedures for assessing the accuracy and reliability of important information from foreign countries—such as birth and death data—when entering into totalization agreements remain generally informal, despite recent initiatives for improvement. Historically, the agency has focused on broad policy issues and systems compatibility, rather than integrity and reliability of earnings data and authenticity of evidentiary documents. For example, during preliminary negotiations for an agreement with Mexico, SSA conducted a limited review of that country's social security system and policies in August 2002, but did not assess the accuracy and reliability of data needed to pay benefits or the relevant controls over that data. In response to our recommendations, SSA made two return visits to Mexico to more thoroughly assess its social security information system and to examine the integrity of documents submitted by claimants to establish identity and eligibility—such as birth records. In October 2003, SSA's systems specialists and program integrity experts examined Mexico's social security information system and earnings data. In particular, these experts assessed the integrity of processes and controls associated with the collection, maintenance and reporting of social security earnings. After reviewing processes at the

⁷The U.S. government may revise existing totalization agreements when the other country changes its social security system. For example, SSA revised its totalization agreement with the Netherlands after the Dutch government changed one of its social security laws and contacted SSA requesting a change to the existing totalization agreement.

⁸See *Social Security: Proposed Totalization Agreement with Mexico Presents Unique Challenges*, [GAO-03-993](#) (Washington, D.C., Sept. 30, 2003).

Mexican social security agency's headquarters, field offices and data storage center, SSA determined that Mexico's policies and controls were sufficient for SSA to rely on Mexican earnings data to pay benefits. On its second review, SSA returned to Mexico in 2004 to physically examine documents submitted by claimants as evidence of identity and eligibility, and attempted to verify the authenticity of these documents with the Mexican state archives. While the agency was unable to provide us with a copy of the report because it was still being reviewed internally at the time of our study, it did share some preliminary results. Within the selected sample, SSA reported that only a small number of the documents were of questionable authenticity and concluded that most types of Mexican documents were reliable.

Beyond the actions taken in Mexico, SSA officials reported that the agency is working on a number of additional initiatives to help assess the risks associated with future totalization agreements. SSA has developed a standardized questionnaire for foreign social security officials to help the agency identify and assess the reliability of earnings data in countries under consideration for future totalization agreements. This tool is designed to capture information about the technical, security, and management controls over the collection and maintenance of workers' earnings. This questionnaire may provide the agency with a useful tool to assess the security of foreign country's earnings data. SSA recently used this tool as part of its negotiations for entering into a totalization agreement with Japan. Agency officials reported that they made additional contacts with Japanese officials and asked them selected questions from the new questionnaire.

In addition, SSA has also begun two initiatives aimed at determining which countries may be suitable for future agreements, taking into consideration the reliability of a country's data and records. For example, SSA officials reported that the agency has held initial meetings with officials from the Departments of State and Commerce in an effort to develop a more formalized process for identifying countries for potential totalization agreements. SSA officials reported that soliciting input from other government entities will provide SSA with a broader perspective, and assist the agency in identifying potential agreement countries in a more strategic and systematic manner. In addition to seeking input from other federal agencies, SSA recently developed a matrix consisting of 14 economic and administrative factors, including known risk factors such as the availability of accurate earnings/coverage records, that may impact a country's ability to determine individual's eligibility for benefits under an agreement. This matrix provides a standard template to facilitate

comparison among countries and assist SSA in evaluating these countries' suitability for future totalization agreements. For example, this tool includes a step to help SSA evaluate potential problems with foreign data, including the prevalence of fraudulent or counterfeit documents in a country, or potential problems accessing critical records. In addition, the template includes factors such as projections of lost tax revenue and the number of U.S. taxpayers working in a country, which could be used to calculate the potential impact of a totalization agreement on the Social Security Trust Funds.

Finally, in an effort to improve existing procedures, especially with regard to foreign eligibility evidence, SSA officials reported that they are currently conducting numerous "vulnerability assessments" to detect potential problems or limitations with the accuracy of foreign countries' documents, including documents from totalized countries. These vulnerability assessments are generally conducted by former SSA employees known as Federal Benefits Officers (FBO),⁹ who contact other State and embassy officials to obtain information on document reliability. Vulnerability assessments are intended to identify the potential for document fraud and other problems with foreign data and have prompted SSA to more thoroughly investigate the reliability of documents in a particular country. For example, such an assessment conducted in one country detailed the ease of fraudulently obtaining official documents such as birth certificates through bribes and other means and recommended that SSA require independent verification of any documents before paying benefits. As a result of this review, SSA reported that it is scrutinizing documents from that country more closely to ensure that only truly entitled beneficiaries receive payments. Although SSA does not have a totalization agreement with this country, the vulnerability assessment demonstrated the agency's ability to more thoroughly examine the reliability of data in all countries where foreign beneficiaries reside, including totalized beneficiaries.

⁹Federal Benefits Officers are generally employees of the Department of State, each managing a particular global region, usually consisting of multiple countries. Federal Benefits Officers are located in Mexico City, Mexico; San Jose, Costa Rica; London, England; Rome, Italy; Frankfurt, Germany; Athens, Greece; and Manila, Philippines. These Federal Benefits Officers have supervisory authority over the claims-taking Foreign Service Posts and conduct vulnerability assessments to uncover trends in document fraud in their regions.

All these initiatives are positive steps in SSA's efforts to identify and assess the potential risks posed by inaccurate or unreliable foreign data when entering into totalization agreements. Although these initiatives seem promising, the agency has not developed plans for integrating them into a formal protocol for assessing the accuracy and reliability of foreign countries' data. SSA officials told us that the current informal approach for entering into agreements is practical given institutional knowledge possessed by experienced managers responsible for overseeing the initiation of the agreements. However, some officials acknowledged that the current informal approach has weaknesses. In particular, without a more formal mechanism in place, given expected retirement of key management officials in coming years, SSA risks the loss of critical institutional knowledge, thus diminishing the agency's ability to effectively assess risks associated with future agreements.

SSA Is Limited In Its Ability to Verify Individuals' Initial and Continuing Eligibility for Benefits

We identified potential vulnerabilities in SSA's existing policies and procedures for verifying individuals' eligibility for benefits once an agreement is in force. First, under existing totalization agreements, SSA generally accepts documentation from foreign countries' social security agencies with no independent verification of this information when establishing an individuals' initial eligibility for benefits. For example, agency staff accept documents such as foreign birth certificates that the foreign social security agency has certified as accurate without independently determining the authenticity of such documents. This practice has been a standard procedure based on our review of the 20 existing totalization agreements.¹⁰ We found that SSA is hampered in its ability to independently verify such documentation because it lacks tools such as computer matching that it routinely uses in the United States to independently verify domestic beneficiaries' eligibility for benefits. For example, SSA verifies applicants' birth certificates by manually or electronically accessing state data. While SSA lacks the ability to perform this type of independent verification with foreign countries, it does have some tools at its disposal—validation surveys and personal questionnaires—to verify an individual's identity and continuing eligibility.

¹⁰SSA told us that its procedures for assessing the accuracy and reliability of evidence for totalized beneficiaries—such as birth certificates—are the same as its procedures for verifying evidence for all foreign beneficiaries. The agency noted that section GN 00307 of its Program Operations Manual System contains detailed procedures and guidelines that are used in evaluating foreign evidence.

SSA officials reported that the agency performs periodic validation surveys in countries where foreign social security beneficiaries¹¹ live, including countries with totalization agreements. SSA's Office of Central Operations staff with assistance from foreign service staff administer the surveys at individual beneficiaries' homes to verify beneficiaries' identity and continuing eligibility. The agency generally conducts surveys in about 3 countries each year. The frequency of such surveys varies widely, and is dependent upon differences in the results of surveys over time or known problems with data reliability in a particular country. For example, agency officials told us that surveys are administered in some countries such as Portugal as frequently as every 5 years. Other countries such as Sweden may only be reviewed once every 30 years. SSA provided us with examples of 5 surveys performed between 1998 and 2003.¹² SSA data show that the surveys are generally useful for detecting important information such as unreported death, and are also effective for detecting and reducing overpayments. For example, a 1998 survey conducted in Canada identified overpayments of approximately \$132,000.¹³ Most of the overpayments detected in the survey were attributable to unreported earnings and work activity, as well as unreported deaths. More importantly, the survey helped SSA avoid future overpayments for the individuals it identified, which, over a period of years, would likely have been significantly higher than the initial amount it detected. Unlike this more in-depth Canadian survey, according to agency officials, those conducted since 2000 are more limited in scope and generally only verify a beneficiary's identity and existence. They also do not attempt to independently verify other important information that can affect an individual's benefits, such as work activity and earnings. SSA officials told us that while more frequent, comprehensive reviews would be helpful to monitor beneficiaries' continuing eligibility in a number of countries, the agency is constrained by limited staff and budgetary resources.

In addition to using validation surveys, SSA also distributes annual and biennial questionnaires to all foreign beneficiaries requesting information on their continuing eligibility for benefits. These questionnaires are

¹¹Foreign beneficiaries include U.S. citizens as well as non-citizens living abroad and receiving benefits.

¹²SSA provided the following surveys: Canada (1998); France (2000); Sweden (2001); Austria (2002); and the Netherlands (2003).

¹³The surveys are also cost-effective according to SSA data. For example, the 1998 survey of Canada cost about \$41,000.

designed to ensure that beneficiaries are alive and to solicit information that could affect the amount of benefits received, such as a change in marital status or work activity. However, these questionnaires typically rely on beneficiaries to accurately self-report such information with no independent verification to determine the reliability of the responses. For example, agency officials told us that they have not attempted to compare the results of in-person validation surveys conducted in specific countries with the information reported on the questionnaires to test the consistency and accuracy of the data provided. In this regard, SSA has little assurance that the information it receives from the questionnaires is accurate. Moreover, while SSA routinely uses computer matches with databases in the U.S. to help it verify domestic beneficiaries' initial and continuing eligibility for benefits,¹⁴ it does not currently have the capacity to perform such matches for foreign beneficiaries. Moreover, SSA does not currently have any mechanism in place—either manual or electronic—to independently verify when foreign beneficiaries die. Agency officials reported that SSA is developing pilot computer match projects with Italy and Germany to establish an independent, third-party mechanism for verifying beneficiaries' continuing eligibility for benefits. For example, SSA is exploring the potential of conducting a match between SSA's databases such as the Death Master File and Italian death records. While officials reported that such a match would be a useful tool for identifying unreported deaths, SSA is partly limited in its ability to conduct such matches with all other totalized countries because it does not currently capture foreign social insurance numbers on its computer systems. These unique identifiers are required to conduct accurate computer matches and access to such numbers is necessary to assure a reliable match between SSA and its counterparts. Agency officials reported that space limitations on the Master Beneficiary Record—the main database used for administering OASDI benefits—preclude it from electronically storing such information at this time. At present, the agency must use other, less reliable information, such as a beneficiary's name and date of birth, to conduct matches. In addition, while a recent report from SSA's OIG found that some countries such as Canada and the United Kingdom have expressed concerns about disclosing such data to SSA for purposes of

¹⁴SSA periodically compares earnings information in its Master Beneficiary Record with wage data from the Internal Revenue Service. SSA also maintains a database that serves as a master death file in the U.S.

conducting matches, the OIG concluded that the ongoing negotiations with Italy are expected to provide solutions to such barriers.¹⁵

Conclusions

Totalization agreements between the U.S. and other countries often foster enhanced diplomatic relations and provide mutually beneficial business, tax, and other incentives to employers and employees affected by these agreements. However, the agreements also impose a financial cost to both countries' social security programs and require initial and continued assurances that data on potential beneficiaries are accurate. Because SSA historically has only performed limited activities to assess the accuracy and reliability of foreign countries' data when entering into totalization agreements—such as birth, death, marriage, and divorce records—incorrect or falsified documentation could expose the Social Security Trust Funds to improper payments. SSA's additional work in Mexico represents a more thorough effort to verify critical information, such as birth documentation, than it has traditionally undertaken in countries with existing agreements. Moreover, the various initiatives that SSA has undertaken—such as its matrix to assess foreign countries suitability for a totalization agreement and its vulnerability assessments—are positive first steps in assessing the accuracy and reliability of foreign countries' data. However, the agency has not determined whether these procedures will be integrated into a more formal protocol for assessing the accuracy and reliability of foreign countries' data when entering into future agreements. Thus, the potential exposure of the trust funds to improper payments resulting from inaccurate or incomplete foreign data remains an area of concern.

Once totalization agreements are in force, verification of individuals' initial and continuing eligibility for benefits is essential to ensure that benefits are paid only to entitled recipients. The relatively limited scope of SSA's current verification procedures may not provide adequate assurance that the trust funds are protected from improper payments. Moreover, because the agency lacks the ability to independently verify the information it receives from foreign beneficiaries on its questionnaires, SSA has little assurance that questionnaire responses are accurate. Thus, SSA may not be aware of changes in beneficiaries' eligibility status, resulting in improper payments for an extended period of time. Given the likely

¹⁵See Office of the Inspector General, Social Security Administration, *Data Matching With Foreign Countries*, A-13-03-23015, (June 17, 2003).

growth in the number of foreign beneficiaries in coming years, including totalized beneficiaries, the trust funds will likely face increased exposure if existing processes are not improved. In an environment of limited staff and budgetary resources, SSA could benefit from a more systematic approach for independently verifying information that can affect individuals' initial and continuing eligibility for benefits, such as computer matches. While SSA has taken some positive steps in this regard such as its negotiations for conducting a death match with Italy, additional challenges remain. In particular, the agency currently lacks the authority to conduct computer matches with foreign countries—a prerequisite for conducting such matches and other forms of independent verification with foreign countries.

Recommendations

In light of the potential impact of existing and future totalization agreements on the Social Security Trust Funds, we recommend that the Commissioner of Social Security:

1. Develop a standardized set of protocols that integrate and formalize the various initiatives for verifying foreign countries' data when negotiating future agreements.
2. Explore cost-effective ways to improve the current processes for verifying beneficiaries' initial and continuing eligibility for benefits. Such improvements may include enhancing the scope of the validation studies, and assessing ways to independently verify the results of its questionnaires. Other potential improvements may include enhanced efforts to explore the potential for developing a mechanism—either manual or electronic—to independently verify the death of all foreign beneficiaries living abroad, including totalized beneficiaries.

Agency Comments and Our Evaluation

We obtained written comments on a draft of this report from the Commissioner of SSA. The comments have been reproduced in appendix I. SSA also provided additional technical comments, which have been incorporated in the report as appropriate.

SSA agreed with our recommendations. However, the agency suggested that the report be revised to clarify that its procedures for assessing the accuracy and reliability of foreign data (such as birth certificates) for totalized beneficiaries are the same as those for foreign beneficiaries under non-totalized claims. SSA was concerned that, as drafted, our report may give the incorrect impression that totalization claims introduce new

elements of risk to the social security program. SSA noted that its Program Operations Manual System contains detailed procedures and guidelines that are used in evaluating all foreign evidence. We have revised the report to note that SSA's processes for verifying foreign data are the same for both totalized and non-totalized beneficiaries.

SSA also commented on our observation that it regularly accepts critical documentation from foreign countries without independently verifying the accuracy of such information. In its comments, SSA stated that in cases where years of pre-agreement experience and an examination of the other country's system of records provides assurance that the data is reliable, SSA and the other country have agreed to use each other's verification of certain eligibility factors. SSA also noted that each agreement includes a provision that makes clear that SSA remains the final judge of the probative value of any evidence it receives from any source. We acknowledge SSA's concern in this area. However, our prior work and this report show that the agency has generally accepted such data without independent verification for all 20 countries with existing agreements. Therefore, we continue to believe that our description of the current process is accurate, and that the agency may still be vulnerable to inaccurate data from foreign countries.

SSA was also concerned that our report may give the impression that the agency does little to verify the accuracy of information used to make benefit decisions and that cost-effective options were readily available. SSA noted its validation surveys and other efforts as evidence that they are taking steps to deter fraud. The agency also stated that more intrusive verification steps would be costly and may not produce net savings to the Social Security trust funds. We acknowledge SSA's efforts, but continue to believe more can be done to ensure the reliability of data. This includes making further enhancements to its validation surveys. Our report describes how validation surveys are currently being used to detect fraud, and points out that the agency's own data show that these surveys are generally cost-effective. Moreover, as indicated in our second recommendation, we encourage SSA to enhance the scope of its validation surveys only to the extent that such options are cost-effective.

Unless you publicly announce its contents earlier, we plan no further distribution until 30 days after the date of this report. At that time, we will send copies of this report to the House and Senate Committees with oversight responsibility for the Social Security Administration. We will also make copies available to other parties upon request. In addition, the report will be available at no charge on GAO's Web site at

<http://www.gao.gov>. If you have any questions concerning this report, please contact me at (202) 512-7215.

A handwritten signature in black ink that reads "Barbara D. Bovbjerg". The signature is written in a cursive style with a large, stylized 'B' and 'D'.

Barbara D. Bovbjerg,
Director, Education, Workforce,
and Income Security Issues

Appendix I: Comments from the Social Security Administration



Ms. Barbara D. Bovbjerg
Director, Education, Workforce, and
Income Security Issues
U.S. Government Accountability Office
Washington, D.C. 20548

Dear Ms. Bovbjerg:

Thank you for the opportunity to review the draft report, "Social Security Administration: A More Formal Approach Could Enhance SSA's Ability to Develop and Manage Totalization Agreements" (GAO-05-250). Staff questions may be directed to Martin H. Gerry, Deputy Commissioner for Disability and Income Security Programs at 410-965-0100.

Sincerely,

Jo Anne B. Barnhart

Enclosure

SOCIAL SECURITY ADMINISTRATION BALTIMORE MD 21235-0001

COMMENTS OF THE SOCIAL SECURITY ADMINISTRATION (SSA) ON THE GOVERNMENT ACCOUNTABILITY OFFICE'S (GAO) DRAFT REPORT, "SOCIAL SECURITY ADMINISTRATION: A MORE FORMAL APPROACH COULD ENHANCE SSA'S ABILITY TO DEVELOP AND MANAGE TOTALIZATION AGREEMENTS" (GAO-05-250)

General Comments

Thank you for the opportunity to review and provide comments on this draft report. As noted below in our comments on the recommendations contained in this GAO draft report, we agree with these recommendations and are taking actions responsive to them.

We recommend, however, that the draft report be revised to clarify that, except with respect to the certification of foreign periods of coverage, the procedures for assessing the accuracy and reliability of foreign data (such as medical evidence and birth, death and marriage certificates) in connection with claims under totalization agreements are the same as the procedures for assessing foreign data in connection with regular, non-totalization claims. Certainly, totalization agreements increase the number of benefit claims that are filed and therefore the amount of evidence that must be evaluated. However, they do not introduce new elements of risk in connection with the evaluation of evidence.

SSA evaluates foreign evidence as outlined in the Program Operations Manual System (POMS) in section GN 00307. We believe it would be informative for the Congress to know that the POMS contain detailed procedures and guidelines that are used in evaluating foreign evidence. As currently drafted, the GAO draft report may give the impression that the evaluation of evidence in totalization cases is different from the processes used to evaluate evidence submitted in regular claims and may, therefore, give an incorrect impression that totalization agreements introduce new elements of risk to the Social Security program.

In several instances, the draft report mentions that SSA accepts critical documentation from foreign countries without independently verifying the accuracy of such information. Under some totalization agreements, SSA and the other country's agency have agreed to use each other's verification of certain eligibility factors, such as a claimant's date of birth. However, this is done only in cases where years of pre-agreement experience and an examination of the other country's system of records during implementation meetings has indicated that evidence from that particular country is reliable, and only if no material discrepancy exists with other evidence in file. This policy eliminates the duplication of effort that would result if the agencies of both countries were required to verify the same information. However, each agreement includes a provision that makes clear that SSA remains the final judge of the probative value of any evidence it receives from any source. SSA is, therefore, able to verify the accuracy of the other country's certification by obtaining original or certified copies of documents and by contacting the claimant directly.

The draft report's criticism of SSA for not doing more to investigate and uncover document fraud may leave the impression that: 1) SSA does little to verify the accuracy of information on which it makes benefit decisions, and 2) cost-effective options to remedy the problem are readily available. In fact, SSA conducts validation surveys when it becomes concerned that document fraud may be becoming a problem in a country and each year it selects three countries from a rotating list to conduct "identity and existence" surveys. Also, SSA trains the foreign-service nationals to be vigilant for fraud when examining documents and instructs them to check primary and secondary sources to verify the accuracy of documents. More intrusive verification in foreign countries around the world would be costly and it is not clear that such routine procedures would produce net savings to the Social Security trust funds. For this reason, SSA has proceeded with systems-based approaches to check on the status of beneficiaries and applicants for benefits.

Recommendation 1

Develop a standardized set of protocols that integrate and formalize the various initiatives for verifying foreign countries' data when negotiating future agreements.

Comment

We agree. By the end of the third quarter of fiscal year 2005, we plan to develop a standardized set of protocols that integrate and formalize the various initiatives we have already undertaken for verifying foreign countries' data when negotiating future totalization agreements.

Recommendation 2

Explore cost-effective ways to improve the current processes for verifying beneficiaries' initial and continuing eligibility for benefits. Such improvements may include enhancing the scope of the validation studies and assessing ways to independently verify the results of its questionnaires. Other potential improvements may include enhanced efforts to explore the potential for developing a mechanism - either manual or electronic - to independently verify the death of all foreign beneficiaries living abroad, including totalized beneficiaries.

Comment

We agree. We will continue to explore ways to improve existing processes for verifying beneficiaries' initial and continuing eligibility for benefits.

Appendix II: GAO Contacts and Staff Acknowledgments

GAO Contacts

Daniel Bertoni, Assistant Director (202) 512-5988
Jeremy D. Cox, Analyst-in-Charge (202) 512-5717

Staff Acknowledgments

In addition to those named above, Joseph Applebaum, Jeff Bernstein, Erin Daugherty, Jean L. Mcsween, Daniel A. Schwimer, and Salvatore F. Sorbello, made important contributions to this report.

Related GAO Products

Disability Insurance: SSA Should Strengthen Its Efforts to Detect and Prevent Overpayments. [GAO-04-929](#). Washington, D.C.: September 10, 2004.

Social Security: Proposed Totalization Agreement With Mexico Presents Unique Challenges. [GAO-03-1035T](#). Washington, D.C.: September 11, 2003.

Social Security: Proposed Totalization Agreement With Mexico Presents Unique Challenges. [GAO-03-993](#). Washington, D.C.: September 30, 2003.

Social Security: Observations on Improving Distribution of Death Information. [GAO-02-233T](#). Washington, D.C.: November 8, 2001.

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